ANNUAL STATEMENT

OF THE

AMERIGROUP Tennessee, Inc.

of

Nashville

in the state of

Tennessee

2008

TO THE

Insurance Department

OF THE STATE OF

Tennessee

For the Year Ending
December 31, 2008

HEALTH

2008

AMERIGROUP®
CORPORATION

Representation Concerning Matters Pertaining to Examination of Statutory Actuarial Items

TO: Reden & Anders

FROM: AMERIGROUP Tennessee, Inc.

In connection with your examination of the unpaid claim liability to be included in the statutory annual statement of AMERIGROUP Tennessee, Inc. (Company) as of December 31, 2008, I represent that to the best of my knowledge and belief:

1. All information which would affect the actuarial items examined has been given to you;

2. Basic records, listings, summaries and other information furnished to you, and underlying the calculation of the actuarial items identified below, are accurate and complete; and

3. No methods or procedures employed by the Company, now or in the past, would preclude the accurate determination of the actuarial items examined.

4. At-risk providers are in a financial position to meet all liabilities under any incentive contracts with payers.

I understand that you have relied on these items to perform your analysis and have not audited the accuracy or completeness of these items.

With respect to assets and liabilities of AMERIGROUP Tennessee, Inc. as of December 31, 2008, I represent that to the best of my knowledge and belief, the statutory statement, together with related exhibits, schedules and explanation therein contained, annexed or referred to, is a complete and fair statement of all the assets and liabilities and the condition of affairs of the Company as of December 31, 2008.

Signed Kathleen A Tottle

Name Kathleen Tottle

Title SVP, Corporate Actuarial

Date 2/23/09

Address 4425 Corporation Lane, VA 23462

Phone Number 757-321-3557

Signed Margaret M. Roomsburg

Name Margaret Roomsburg

Title SVP and Chief Accounting Officer

Date 2/23/09

Address 4425 Corporation Lane, VA 23462

Phone Number 757-473-2721

AMERIGROUP Tennessee, Inc.
STATEMENT OF ACTUARIAL OPINION – 2008

I, John C. Lloyd, a member of the American Academy of Actuaries, am a Principal with the firm of Ingenix Consulting, which has been retained by AMERIGROUP Tennessee, Inc. (Company) to render this opinion. I meet the Academy qualification standards for rendering the opinion and am familiar with the valuation requirements applicable to life and health insurance companies.

I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, as shown in the annual statement of the Company, as prepared for filing with state regulatory officials for year 2008. Tabulated below are those reserves and related actuarial items.

Claims unpaid (less $ reinsurance ceded) (Page 3, Line1)	$	75,084,654
Accrued medical incentive pool and bonus payments (Page 3, Line 2)	$	0
Unpaid claims adjustment expenses (Page 3, Line 3)	$	1,899,953
Aggregate health policy reserves (Page 3, Line 4)	$	0
Aggregate health claim reserves (Page 3, Line 7)	$	0

In forming my opinion on the reserves above, I relied upon data prepared by Margaret Roomsburg, Chief Accounting Officer, as certified in the attached statements. I evaluated that data for reasonableness and consistency. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.

My review covered the effect on reserves of incentive contracts with service providers and potential provider insolvencies. My review included consideration of the potential impact on reserves of contractual arrangements between the Company and service providers. Based on that review and the opinion provided by the Company regarding the separate amounts included to cover potential performance default by at-risk providers, I believe the amounts shown above appropriately recognize the financial impact of contracts between service providers and the Company and the financial strength of at-risk providers.

In my opinion the reserves and related actuarial values concerning the statement items identified above:

(a) Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated, in accordance with sound actuarial principles;

(b) Are based on actuarial assumptions that produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions;

(c) Meet the requirements of the Insurance Law and regulation of the state of Tennessee; and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed;

(d) Make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements;

(e) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end; and

(f) Include provision for all actuarial reserves and related statement items which ought to be established.

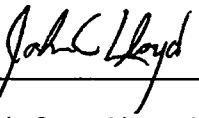
The reserves and related items, when considered in light of the assets held by the company with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on the assets, and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the company.

The Underwriting and Investment Exhibit – Part 2B was prepared consistent with "*Section 3.6, Follow-Up Studies*" contained in Actuarial Standard of Practice No. 5, *Incurred Health and Disability Claims* which was adopted by the Actuarial Standards Board in December 2000 (Effective May 1, 2001).

The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

This opinion is updated quarterly as required by statute. To the best of my knowledge, there have been no material changes from the applicable date of the annual statement to the date of the rendering of this opinion which should be considered in reviewing this opinion.

The impact of the unanticipated events subsequent to the date of this opinion is beyond the scope of this opinion.



John C. Lloyd
Principal, Ingenix Consulting – Atlanta
Fellow, Society of Actuaries
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February 19, 2009

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ANNUAL STATEMENT

For the Year Ending December 31, 2008

OF THE CONDITION AND AFFAIRS OF THE

AMERIGROUP Tennessee, Inc.

NAIC Group Code 1156 (Current Period) 1156 (Prior Period) NAIC Company Code 12941 Employer's ID Number 20-4776597

Organized under the Laws of Tennessee, State of Domicile or Port of Entry Tennessee

Country of Domicile United States of America

Licensed as business type: Life, Accident & Health[ ] Property/Casualty[ ] Hospital, Medical & Dental Service or Indemnity[ ]
Dental Service Corporation[ ] Vision Service Corporation[ ] Health Maintenance Organization[X]
Other[ ] Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ]

Incorporated/Organized 04/26/2006 Commenced Business 04/01/2007

Statutory Home Office 22 Century Boulevard, Ste 310 (Street and Number), Nashville, TN 37214 (City or Town, State and Zip Code)

Main Administrative Office 4425 Corporation Lane (Street and Number)
Virginia Beach, VA (City or Town, State and Zip Code) (757)473-2721 (Area Code) (Telephone Number)

Mail Address 4425 Corporation Lane (Street and Number or P.O. Box), Virginia Beach, VA 23462 (City or Town, State and Zip Code)

Primary Location of Books and Records 4425 Corporation Lane (Street and Number)
Virginia Beach, VA 23462 (City or Town, State and Zip Code) (757)473-2721 (Area Code) (Telephone Number)

Internet Website Address www.amerigroupcorp.com

Statutory Statement Contact Margaret Mary Roomsburg (Name) (757)473-2721 (Area Code)(Telephone Number)(Extension)
mroomsb@amerigroupcorp.com (E-Mail Address) (757)557-6742 (Fax Number)

OFFICERS

Name	Title	
Alvin Brock King	President/CEO	
William George Runyon	Vice President/CMO	#
Michael Anthony Scarbrough	Vice President/COO	
Stanley Forrest Baldwin	Vice President/Secretary	
Nicholas Joseph Pace, II	Vice President/Asst Secretary	
Richard Charles Zoretic	Vice President/Asst Secretary	
Scott Wayne Anglin	Vice President/Treasurer	
James Ward Truess	Vice President/Asst Treasurer	
Karen Lint Shields	Vice President/Asst Treasurer	

OTHERS

William Gardner Wood, M.D., Vice Presicent
Linda Kaye Whitley-Taylor, Vice President
Margaret Mary Roomsburg, Vice President

DIRECTORS OR TRUSTEES

Charles Brian Shipp
Nicholas Joseph Pace, II
Alvin Brock King

State of Virginia
County of Virginia Beach ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Alvin Brock King	Stanley Forrest Baldwin	Margaret Mary Roomsburg
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President/CEO	Vice President/Secretary	Vice President
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 9th day of February, 2009

(Notary Public Signature)

BARBARA C. MCLEAN NOTARY PUBLIC STATE OF TENNESSEE DAVIDSON COUNTY, TENN.

My Commission Expires JAN. 23, 2010

a. Is this an original filing? Yes[X] No[ ]
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

NANCY M. NEWSOM COMMONWEALTH OF VIRGINIA NOTARY PUBLIC

NANCY M. NEWSOM
NOTARY PUBLIC
Commonwealth of Virginia
My Commission Expires
April 30, 2009

#191631

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	46,213,753		46,213,753	24,095,124
2.	Stocks (Schedule D)				
	2.1 Preferred stocks				
	2.2 Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
	3.1 First liens				
	3.2 Other than first liens				
4.	Real estate (Schedule A):				
	4.1 Properties occupied by the company (less $.....0 encumbrances)				
	4.2 Properties held for the production of income (less $.....0 encumbrances)				
	4.3 Properties held for sale (less $.....0 encumbrances)				
5.	Cash ($.....16,780,313 Schedule E Part 1), cash equivalents ($.....0 Schedule E Part 2) and short-term investments ($.....58,569,375 Schedule DA)	75,349,688		75,349,688	70,813,926
6.	Contract loans (including $.....0 premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	121,563,441		121,563,441	94,909,050
11.	Title plants less $.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	362,026		362,026	647,933
13.	Premiums and considerations				
	13.1 Uncollected premiums and agents' balances in the course of collection	9,816,800		9,816,800	8,578,766
	13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including $.....0 earned but unbilled premiums)				
	13.3 Accrued retrospective premiums				
14.	Reinsurance:				
	14.1 Amounts recoverable from reinsurers	254		254	
	14.2 Funds held by or deposited with reinsured companies				
	14.3 Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans	1,151,466		1,151,466	
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset				
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software	1,497,729	859,111	638,618	628,972
19.	Furniture and equipment, including health care delivery assets ($.....0)	1,992,887	1,992,887		
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	1,925,627	1,925,627		
22.	Health care ($.....0) and other amounts receivable	1,946,166	1,946,166		2,838,088
23.	Aggregate write-ins for other than invested assets	82,846	82,846		
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	140,339,242	6,806,637	133,532,605	107,602,809
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	140,339,242	6,806,637	133,532,605	107,602,809
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Prepaid Expenses - Short-term	82,846	82,846		
2302.					
2303.					
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	82,846	82,846		

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $.....0 reinsurance ceded)	75,084,654		75,084,654	72,252,049
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	1,899,953		1,899,953	1,857,512
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	645,090		645,090	225,254
10.1	Current federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates				5,830,783
16.	Payable for securities				
17.	Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans				
21.	Aggregate write-ins for other liabilities (including $.....0 current)	1,314,610		1,314,610	3,376,097
22.	Total liabilities (Lines 1 to 21)	78,944,307		78,944,307	83,541,695
23.	Aggregate write-ins for special surplus funds	XXX	XXX		
24.	Common capital stock	XXX	XXX	1,000	1,000
25.	Preferred capital stock	XXX	XXX		
26.	Gross paid in and contributed surplus	XXX	XXX	93,939,311	66,613,358
27.	Surplus notes	XXX	XXX		
28.	Aggregate write-ins for other than special surplus funds	XXX	XXX		
29.	Unassigned funds (surplus)	XXX	XXX	(39,352,013)	(42,553,244)
30.	Less treasury stock, at cost:				
	30.1 .....0 shares common (value included in Line 24 $.....0)	XXX	XXX		
	30.2 .....0 shares preferred (value included in Line 25 $.....0)	XXX	XXX		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	54,588,298	24,061,114
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	133,532,605	107,602,809
DETAILS OF WRITE-INS					
2101.	Due to MMCC	153,532		153,532	1,208,518
2102.	Accrued Premium Tax	1,161,078		1,161,078	2,048,900
2103.	Non Risk Payable				118,679
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	1,314,610		1,314,610	3,376,097
2301.		XXX	XXX		
2302.		XXX	XXX		
2303.		XXX	XXX		
2398.	Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX		
2801.		XXX	XXX		
2802.		XXX	XXX		
2803.		XXX	XXX		
2898.	Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	XXX	2,224,177	1,642,504
2.	Net premium income (including $.....0 non-health premium income)	XXX	607,095,174	382,864,891
3.	Change in unearned premium reserves and reserve for rate credits	XXX		
4.	Fee-for-service (net of $.....0 medical expenses)	XXX		
5.	Risk revenue	XXX		
6.	Aggregate write-ins for other health care related revenues	XXX		
7.	Aggregate write-ins for other non-health revenues	XXX		
8.	Total revenues (Lines 2 to 7)	XXX	607,095,174	382,864,891
Hospital and Medical:				
9.	Hospital/medical benefits		344,344,799	243,319,790
10.	Other professional services		28,092,729	6,589,154
11.	Outside referrals			
12.	Emergency room and out-of-area		50,030,095	32,329,994
13.	Prescription drugs		903,872	194
14.	Aggregate write-ins for other hospital and medical		111,891,744	77,388,415
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		535,263,239	359,627,547
Less:				
17.	Net reinsurance recoveries		(588,473)	(1,147,753)
18.	Total hospital and medical (Lines 16 minus 17)		535,851,712	360,775,300
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including $.....11,453,427 cost containment expenses		15,665,584	10,471,572
21.	General administrative expenses		56,115,828	41,393,542
22.	Increase in reserves for life and accident and health contracts (including $.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		607,633,124	412,640,414
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(537,950)	(29,775,523)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		3,355,672	3,115,015
26.	Net realized capital gains (losses) less capital gains tax of $.....0		7,278	18,956
27.	Net investment gains (losses) (Lines 25 plus 26)		3,362,950	3,133,971
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	2,825,000	(26,641,552)
31.	Federal and foreign income taxes incurred	XXX		
32.	Net income (loss) (Lines 30 minus 31)	XXX	2,825,000	(26,641,552)
DETAILS OF WRITE-INS				
0601.		XXX		
0602.		XXX		
0603.		XXX		
0698.	Summary of remaining write-ins for Line 6 from overflow page	XXX		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX		
0701.		XXX		
0702.		XXX		
0703.		XXX		
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	XXX		
1401.	Home Health Care, DME, Transportation, etc.		111,891,744	77,388,415
1402.				
1403.				
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		111,891,744	77,388,415
2901.				
2902.				
2903.				
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL & SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	24,061,114	(261,411)
34.	Net income or (loss) from Line 32	2,825,000	(26,641,552)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of $.....0		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		
39.	Change in nonadmitted assets	8,843,644	(15,650,281)
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
	44.1 Paid in		1,000
	44.2 Transferred from surplus (Stock Dividend)		
	44.3 Transferred to surplus		
45.	Surplus adjustments:		
	45.1 Paid in	27,325,953	66,613,358
	45.2 Transferred to capital (Stock Dividend)		
	45.3 Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	(8,467,413)	
48.	Net change in capital and surplus (Lines 34 to 47)	30,527,184	24,322,525
49.	Capital and surplus end of reporting year (Line 33 plus 48)	54,588,298	24,061,114
DETAILS OF WRITE-INS			
4701.	Goodwill	(6,544,413)	
4702.	Intangible Asset	(1,923,000)	
4703.			
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	(8,467,413)	

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	605,857,140	374,286,125
2.	Net investment income	3,648,857	2,486,038
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	609,505,997	376,772,163
5.	Benefit and loss related payments	532,793,915	288,811,363
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	70,390,129	49,132,035
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	603,184,044	337,943,398
11.	Net cash from operations (Line 4 minus 10)	6,321,953	38,828,765
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	30,975,000	11,000,000
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	30,975,000	11,000,000
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	53,086,351	35,076,168
	13.2 Stocks		
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications	7,278	18,956
	13.7 Total investments acquired (Lines 13.1 to 13.6)	53,093,629	35,095,124
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(22,118,629)	(24,095,124)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock	26,933,701	66,501,000
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	(6,601,263)	(10,420,715)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	20,332,438	56,080,285
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	4,535,762	70,813,926
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	70,813,926	
	19.2 End of year (Line 18 plus Line 19.1)	75,349,688	70,813,926

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001	Depreciation	1,688,220	536,955
20.0002	Non-cash Capital Contributions	392,252	113,358

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

		1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1.	Net premium income	607,095,174						8,112,101	598,983,073		
2.	Change in unearned premium reserves and reserve for rate credit										
3.	Fee-for-service (net of $.....0 medical expenses)										XXX
4.	Risk revenue										XXX
5.	Aggregate write-ins for other health care related revenues										XXX
6.	Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7.	Total revenues (Lines 1 to 6)	607,095,174						8,112,101	598,983,073		
8.	Hospital/medical benefits	344,344,799						3,749,316	340,595,483		XXX
9.	Other professional services	28,092,729						155,565	27,937,164		XXX
10.	Outside referrals										XXX
11.	Emergency room and out-of-area	50,030,095						1,439,768	48,590,327		XXX
12.	Prescription drugs	903,872						903,872			XXX
13.	Aggregate write-ins for other hospital and medical	111,891,744						321,922	111,569,822		XXX
14.	Incentive pool, withhold adjustments and bonus amounts										XXX
15.	Subtotal (Lines 8 to 14)	535,263,239						6,570,443	528,692,796		XXX
16.	Net reinsurance recoveries	(588,473)						(929)	(587,544)		XXX
17.	Total hospital and medical (Lines 15 minus 16)	535,851,712						6,571,372	529,280,340		XXX
18.	Non-health claims (net)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19.	Claims adjustment expenses including $.....11,453,427 cost containment expenses	15,665,584						114,653	15,550,931		
20.	General administrative expenses	56,115,828						1,844,946	54,270,882		
21.	Increase in reserves for accident and health contracts										XXX
22.	Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23.	Total underwriting deductions (Lines 17 to 22)	607,633,124						8,530,971	599,102,153		
24.	Net underwriting gain or (loss) (Line 7 minus Line 23)	(537,950)						(418,870)	(119,080)		
DETAILS OF WRITE-INS											
0501.											XXX
0502.											XXX
0503.											XXX
0598.	Summary of remaining write-ins for Line 5 from overflow page										XXX
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										XXX
0601.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698.	Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301.	Home Health Care, DME, Transportation, Etc.	111,891,744						321,922	111,569,822		XXX
1302.											XXX
1303.											XXX
1398.	Summary of remaining write-ins for Line 13 from overflow page										XXX
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	111,891,744						321,922	111,569,822		XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical)				
2.	Medicare Supplement				
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan				
6.	Title XVIII - Medicare	8,112,101			8,112,101
7.	Title XIX - Medicaid	598,983,073			598,983,073
8.	Other health				
9.	Health subtotal (Lines 1 through 8)	607,095,174			607,095,174
10.	Life				
11.	Property/casualty				
12.	TOTALS (Lines 9 to 11)	607,095,174			607,095,174

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	532,205,187						4,543,394	527,661,793		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	(588,727)						(929)	(587,798)		
1.4 Net	532,793,914						4,544,323	528,249,591		
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	75,084,654						2,027,057	73,057,597		
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	75,084,654						2,027,057	73,057,597		
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)	(225,447)						8	(225,455)		
7. Amounts recoverable from reinsurers December 31, current year	254							254		
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	72,252,049							72,252,049		
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	72,252,049							72,252,049		
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	535,263,239						6,570,443	528,692,796		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	(588,473)						(929)	(587,544)		
12.4 Net	535,851,712						6,571,372	529,280,340		
13. Incurred medical incentive pools and bonuses										

Underwriting Invest Exh Pt 2 - Claims Incurred (continued)

(a) Excludes $.....1,883,500 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	12,302,140						383,660	11,918,480		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	12,302,140						383,660	11,918,480		
2. Incurred but Unreported:										
2.1 Direct	62,782,514						1,643,397	61,139,117		
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	62,782,514						1,643,397	61,139,117		
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	75,084,654						2,027,057	73,057,597		
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	75,084,654						2,027,057	73,057,597		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (hospital and medical)						
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare		4,544,324		2,027,057		
7.	Title XIX - Medicaid	78,550,682	449,698,655	722,162	72,335,435	79,272,844	72,252,049
8.	Other health						
9.	Health subtotal (Lines 1 to 8)	78,550,682	454,242,979	722,162	74,362,492	79,272,844	72,252,049
10.	Healthcare receivables (a)		62,666				288,112
11.	Other non-health						
12.	Medical incentive pool and bonus amounts						
13.	TOTALS (Lines 9 - 10 + 11 + 12)	78,550,682	454,180,313	722,162	74,362,492	79,272,844	71,963,937

(a) Excludes $.....1,883,500 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX	288,811	367,362
6. 2008	XXX	XXX	XXX	XXX	454,243

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX	361,063	368,084
6. 2008	XXX	XXX	XXX	XXX	528,605

12 Total

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2004										
2. 2005										
3. 2006										
4. 2007	382,865	367,362	11,102	3.022	378,464	98.850	722	295	379,481	99.116
5. 2008	607,095	454,243	13,136	2.892	467,379	76.986	74,362	1,605	543,346	89.499

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical .... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical ... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical ... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement .... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement ... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement ... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP ..... NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	4,544

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	6,571

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2004										
2. 2005										
3. 2006										
4. 2007			6		6				6	
5. 2008	8,112	4,544	57	1.248	4,601	56.715	2,027	52	6,680	82.343

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX	288,811	367,362
6. 2008	XXX	XXX	XXX	XXX	449,699

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX	361,063	368,084
6. 2008	XXX	XXX	XXX	XXX	522,034

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2004										
2. 2005										
3. 2006										
4. 2007	382,865	367,362	11,095	3.020	378,457	98.849	722	295	379,474	99.114
5. 2008	598,983	449,699	13,079	2.908	462,778	77.261	72,335	1,553	536,666	89.596

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other ..... NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve ..... NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent ($.....0 for occupancy of own building)			2,135,573		2,135,573
2.	Salaries, wages and other benefits	9,752,937	2,404,776	37,731,986		49,889,699
3.	Commissions (less $.....0 ceded plus $.....0 assumed)					
4.	Legal fees and expenses			379,764		379,764
5.	Certifications and accreditation fees					
6.	Auditing, actuarial and other consulting services			287,145		287,145
7.	Traveling expenses	47,350	2,897	596,575		646,822
8.	Marketing and advertising			313,099		313,099
9.	Postage, express and telephone	175,434		2,375,617		2,551,051
10.	Printing and office supplies	135,132	39	1,584,622		1,719,793
11.	Occupancy, depreciation and amortization			2,441,386		2,441,386
12.	Equipment					
13.	Cost or depreciation of EDP equipment and software			3,502,287		3,502,287
14.	Outsourced services including EDP, claims, and other services	707,879	1,804,190	5,071,719		7,583,788
15.	Boards, bureaus and association fees	4,342		1,861,947		1,866,289
16.	Insurance, except on real estate			907,622		907,622
17.	Collection and bank service charges	286,695		39,046		325,741
18.	Group service and administration fees					
19.	Reimbursements by uninsured plans			(17,631,357)		(17,631,357)
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes					
23.	Taxes, licenses and fees:					
	23.1 State and local insurance taxes					
	23.2 State premium taxes			12,009,017		12,009,017
	23.3 Regulator authority licenses and fees					
	23.4 Payroll taxes					
	23.5 Other (excluding federal income and real estate taxes)					
24.	Investment expenses not included elsewhere					
25.	Aggregate write-ins for expenses	343,658	255	2,509,780		2,853,693
26.	Total expenses incurred (Lines 1 to 25)	11,453,427	4,212,157	56,115,828		(a) 71,781,412
27.	Less expenses unpaid December 31, current year	1,899,953		645,090		2,545,043
28.	Add expenses unpaid December 31, prior year	1,857,512		225,254		2,082,766
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	11,410,986	4,212,157	55,695,992		71,319,135
DETAILS OF WRITE-INS						
2501.	Benefit Enhancement, Recruitment, Contributions	343,658	255	2,509,780		2,853,693
2502.						
2503.						
2598.	Summary of remaining write-ins for Line 25 from overflow page					
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	343,658	255	2,509,780		2,853,693

(a) Includes management fees of $.....33,795,917 to affiliates and $.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 1,203,805	1,064,949
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a)	
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 2,437,774	2,290,723
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	3,641,579	3,355,672
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		
17.	Net Investment income (Line 10 minus Line 16)		3,355,672
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

(a) Includes $.....7,998 accrual of discount less $.....30,170 amortization of premium and less $.....146,064 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....45,003 accrual of discount less $.....0 amortization of premium and less $.....8,622 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	7,278		7,278		
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	7,278		7,278		
DETAILS OF WRITE-INS						
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page					
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

		1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
	2.1 Preferred stocks			
	2.2 Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
	3.1 First liens			
	3.2 Other than first liens			
4.	Real estate (Schedule A):			
	4.1 Properties occupied by the company			
	4.2 Properties occupied for the production of income			
	4.3 Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
	13.1 Uncollected premiums and agents' balances in the course of collection			
	13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
	13.3 Accrued retrospective premiums			
14.	Reinsurance:			
	14.1 Amounts recoverable from reinsurers			
	14.2 Funds held by or deposited with reinsured companies			
	14.3 Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset			
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software	859,111	1,929,504	1,070,393
19.	Furniture and equipment, including health care delivery assets	1,992,887	2,280,700	287,813
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates	1,925,627		(1,925,627)
22.	Health care and other amounts receivable	1,946,166	1,307,024	(639,142)
23.	Aggregate write-ins for other than invested assets	82,846	10,133,053	10,050,207
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	6,806,637	15,650,281	8,843,644
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	6,806,637	15,650,281	8,843,644
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	Prepaid Expenses	82,846	165,639	82,793
2302.	Goodwill and Intangibles		9,967,414	9,967,414
2303.				
2398.	Summary of remaining write-ins for Line 23 from overflow page			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	82,846	10,133,053	10,050,207

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health Maintenance Organizations	186,629	186,356	186,303	187,001	186,887	2,224,177
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. TOTAL	186,629	186,356	186,303	187,001	186,887	2,224,177
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
0299998 Premium due and unpaid not individually listed						
0299999 Total group						
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities	4,818,893	4,997,907				9,816,800
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)	4,818,893	4,997,907				9,816,800

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199998 Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Claim Overpayment Receivables - Not Individually Listed	36,984	25,682			62,666	
0299999 Subtotal - Claim Overpayment Receivables	36,984	25,682			62,666	
Loans and Advances to Providers						
Lifecare Family Services, Inc.	150,000	200,000			350,000	
Park Center, Inc.			100,000	125,000	225,000	
Collaborative Care Corporation	200,000				200,000	
0399998 Loans and Advances to Providers - Not Individually Listed	288,000	119,000	370,000	331,500	1,108,500	
0399999 Subtotal - Loans and Advances to Providers	638,000	319,000	470,000	456,500	1,883,500	
0499998 Capitation Arrangement Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangement Receivables						
0599998 Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Other Receivables - Not Individually Listed						
0699999 Subtotal - Other Receivables						
0799999 Gross health care receivables	674,984	344,682	470,000	456,500	1,946,166	

EXHIBIT 4 - CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered	10,930,116	2,341,006	(60,428)	(25,060)	(883,494)	12,302,140
0499999 Subtotals	10,930,116	2,341,006	(60,428)	(25,060)	(883,494)	12,302,140
0599999 Unreported claims and other claim reserves						62,782,514
0699999 Total Amounts Withheld						
0799999 Total Claims Unpaid						75,084,654
0899999 Accrued Medical Incentive Pool and Bonus Amounts						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Admitted	
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually listed receivables							
AMERIGROUP Corporation	1,925,627				1,925,627		
0199999 Total - Individually listed receivables	1,925,627				1,925,627		
0299999 Receivables not inidvidually listed							
0399999 Total gross amounts receivable	1,925,627				1,925,627		

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
	NONE			
0399999 Total gross payables	XXX			

EXHIBIT 7 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total Payments	3 Total Members Covered	4 Column 3 as a % of Total Members	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	166,520	0.031	186,193	99.629		166,520
2. Intermediaries						
3. All other providers	3,434,573	0.645	186,887	100.000		3,434,573
4. Total capitation payments	3,601,093	0.677	373,080	199.629		3,601,093
Other Payments:						
5. Fee-for-service	7,019,472	1.319	XXX	XXX		7,019,472
6. Contractual fee payments	521,584,622	98.004	XXX	XXX		521,584,622
7. Bonus/withhold arrangements - fee-for-service			XXX	XXX		
8. Bonus/withhold arrangements - contractual fee payments			XXX	XXX		
9. Non-contingent salaries			XXX	XXX		
10. Aggregate cost arrangements			XXX	XXX		
11. All other payments			XXX	XXX		
12. Total other payments	528,604,094	99.323	XXX	XXX		528,604,094
13. Total (Line 4 plus Line 12)	532,205,187	100.000	XXX	XXX		532,205,187

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
	NONE				
9999999			XXX	XXX	XXX

EXHIBIT 8 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

	Description	1 Cost	2 Improvements	3 Accumulated Depreciation	4 Book Value Less Encumbrances	5 Assets Not Admitted	6 Net Admitted Assets
1.	Administrative furniture and equipment	2,750,113		757,226	1,992,887	1,992,887	
2.	Medical furniture, equipment and fixtures						
3.	Pharmaceuticals and surgical supplies						
4.	Durable medical equipment						
5.	Other property and equipment						
6.	Total	2,750,113		757,226	1,992,887	1,992,887	

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The Financial Statements of AMERIGROUP Tennessee, Inc. (the Company) is presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance.

The Tennessee Department of Commerce and Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, version effective March 1, 2008 (NAIC SSAP) has been adopted as a component of prescribed or permitted practices by the state of Tennessee.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Statutory Accounting Principles requires management to make estimates and assumptions that affect the report amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The Company records premium revenues based on its membership records and premiums rates for each membership category within each county. Premiums are due monthly and are recognized as revenue during the period in which the company is obligated to provide service to members.

In addition, the Company uses the following accounting policies.

(1) Short-term investments are stated at amortized cost. Any Bonds not backed by other loans are stated at amortized cost using the interest method.
(2) Unpaid Claims and loss adjustment expenses include an amount determined from individual case estimates and claim reports and an amount, based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined.

2. Accounting Changes and Corrections of Errors

A. Disclosure for Insurers Upon Initial Implementation of Codification:

None

3. Business Combinations and Goodwill

On April 22, 2008, AMERIGROUP Tennessee, Inc. was notified that it had not been awarded a contract to provide full-risk managed care services to TennCare recipients in West Tennessee. As a result, the existing administrative services only ("ASO") arrangement for the West Tennessee region terminated on October 31, 2008 under its current terms with claims run-out and transition activities continuing into 2009. Goodwill and intangibles acquired as part of the November 1, 2007 acquisition of substantially all of the assets of Memphis Managed Care Corporation ("MMCC") of $9,967, net of a purchase price adjustment of $1,500 for early termination of the ASO contract was written-off and applied as non-admitted assets and was included on Line 47, page 5 (Aggregate write-ins for gains or (losses) in surplus).

4. Discontinued Operations

Our ASO arrangement for the West Tennessee region terminated on October 31, 2008 under its terms with claims run-out and transition activities continuing into 2009. Goodwill and intangibles of $9.967 million acquired as part of the acquisition was written off during the year ended December 31, 2008. Additionally, we received a purchase price adjustment of $1.5 million for early termination of the ASO contract. The net impact of these adjustments was a decrease to equity included on page 5, line 47. Additional costs recorded and to be recorded to discontinue operations in West Tennessee are not material.

5. Investments

The Company as of December 31, 2008 does not possess or reflect any Mortgage Loans, Debt Restructuring, Reverse Mortgages, Loan-Backed Securities or Repurchase Agreements.

Notes to Financial Statement

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company as of December 31, 2008 had no investments in Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of its admitted assets.

7. Investment Income

The Company reports only investment income that is earned as due and accrued.

8. Derivative Instruments

The Company as of December 31, 2008 had no investments in Derivative Instruments.

9. Income Taxes

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs) at December 31:

	2008	2007
Total of all deferred income tax assets (admitted and non-admitted)	$ 13,183,182	$ 14,143,162
Total of all deferred income tax liabilities	0	0
Net deferred tax asset (liability)	$ 13,183,182	$ 14,143,162
Total deferred tax assets non-admitted in accordance with SSAP No.10	$ (13,183,182)	$ (14,143,162)
Total net admitted deferred tax asset (liability)	0	0
(Increase) decrease in deferred tax assets non-admitted	$ 959,980	$ (14,143,162)

B. Unrecognized deferred tax liabilities

There are no temporary differences for which deferred tax liabilities are not recognized.

C. Current income taxes incurred consist of the following major components:

	2008	2007
Current year tax expense (benefit) (exclusive of items 2 and 3 below)	$ 0	$ 0
Tax credits		
Prior year adjustments	$ 0	$ 0
Current income taxes incurred	$ 0	$ 0

Deferred income tax assets and liabilities consist of the following major components:

	2008	2007	Change
Deferred tax assets:			
Goodwill	$ 301,579	$ 3,773,323	$ (3,471,744)
Property and Equipment	$ 790,985	$ 1,153,138	$ (362,153)
Unrealized loss	$ 99,141	$ 0	$ 99,141
Claims Unpaid	$ 856,804	$ 925,104	$ (68,300)
Contractual Allowances	$ 1,705,655	$ 707,642	$ 998,013
Unearned Revenue	$ 0	$ 0	$ 0
Federal NOL carryforward	$ 9,183,949	$ 7,312,944	$ 1,871,005
Other	$ 245,069	$ 271,011	$ (25,942)
Total deferred tax assets	$ 13,183,182	$ 14,143,162	$ (959,980)
Non-admitted deferred tax assets	$ (13,183,182)	$ (14,143,162)	$ 959,980
Admitted deferred tax assets	$ 0	$ 0	$ 0
Deferred tax liabilities:			
Other	0	0	0
Net Admitted Deferred Tax Assets (Liabilities)	$ 0	$ 0	$ 0
Total deferred tax assets	$ 13,183,182	$ 14,143,162	$ (959,980)
Total deferred tax liabilities	0	0	0
Net deferred tax assets	$ 13,183,182	$ 14,143,162	$ (959,980)
Less tax effect of unrealized gains and losses			$ 99,141
Net change in deferred tax assets			$ (860,839)

Notes to Financial Statement

D. The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes as follows:

	2008
Federal current income taxes incurred	$ 0
Change in deferred income tax	$ (860,839)
Other	0
Total statutory income taxes	$ (860,839)
Provision at statutory rate	$ 2,825,000
	35%
Expected Income Tax Expense (Benefit) at 35% Statutory Rate	$ 988,750
STAT to GAAP Difference	(1,692,724)
Nondeductible lobbying expenses	7,041
Other nondeductible expenses	8,699
Prior year adjustments	(172,605)
	$ (860,839)

E. Operating Loss Carryforward

(1) As of December 31, 2008, the separate company operating loss carryforward available for federal tax purposes is $26,239,854.
(2) The following are income taxes incurred that are available for recoupment in the event of future net losses are: current year $0; first preceding year $0.

F. Consolidated Federal Income Tax Return

(1) The Company's Federal Income Tax return is consolidated with the following entities:

AMERIGROUP Corporation (Parent)
AMERIGROUP Florida, Inc.
AMERIGROUP New Jersey, Inc.
AMERIGROUP Texas, Inc.
AMERIGROUP Virginia, Inc.
AMERIGROUP Ohio, Inc.
AMERIGROUP Maryland, Inc.
AMGP Georgia Managed Care Company, Inc.
PHP Holdings, Inc.
AMERIGROUP New York, LLC
AMERIGROUP Tennessee, Inc.
AMERIGROUP Community Care of New Mexico, Inc.
AMERIGROUP Community Care of South Carolina, Inc.
AMERIGROUP Health Solutions, Inc.
AMERIGROUP Nevada, Inc.

AMERIGROUP Corporation has a written agreement outlining the method of allocating federal income tax between the entities. The allocation is based on separate return calculations for each member of the affiliated group. If AMERIGROUP Tennessee has net operating losses (including carryforwards and carrybacks) or tax credits (including carryforwards or carrybacks), AMERIGROUP Corporation will pay AMERIGROUP Tennessee for losses or credits applied to the consolidated return or used on separate company returns.

10. Information Concerning Parent, Subsidiaries and Affiliates

AMERIGROUP Corporation owns 100% of the outstanding shares of the Company and provides administrative and financial support services to the Company. Inter-company management fees are charged to the Company during 2008 and 2007 for these services were $33,795,917 and $25,461,567, respectively, and in accordance with a Management Services Agreement based on generally accepted accounting principles. As of December 31, 2008 AMERIGROUP Corporation owed $1,925,627 to the company.

11. Debt

The Company has no debt outstanding.

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefits Plans

The Company's employees have the option to participate in a deferred compensation plan sponsored by AMERIGROUP Corporation. All full-time and most part-time employees of AMERIGROUP Corporation and the Company may elect to participate in this plan. This plan is exempt from income taxes under Section 401(k) of the Internal Revenue Code. Participants may

Notes to Financial Statement

contribute a certain percentage of their compensation subject to maximum federal and plan limits. AMERIGROUP Corporation may elect to match a certain percentage of each employee's contributions up to specified limits. For the years ended December 31, 2007 and 2008, AMERIGROUP Corporation's matching contribution under the plan was approximately $3,748,000 and $3,649,000, respectively, and was not directly charged to the Company.

13. Capital and Surplus, Shareholder's Dividend Restrictions and Quasi-Reorganizations.

(1) The Company has 1000 shares of common stock authorized and 1000 shares outstanding.
(2) The Company has no preferred stock outstanding.

14. Contingencies

None

15. Leases

The Company leases office space under 2 operating lease agreements; one of the leases expires August 1, 2013 and the other expires April 30, 2010. Rental expense as of December 31, 2008 was approximately $1,390,626. At December 31, 2008, the minimum aggregate rental commitments are as follows:

2009:	$ 858,701
2010:	$ 655,963
2011:	$ 662,261
2012:	$ 684,066
2013:	$ 468,880

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial with Concentrations of Credit Risk.

None

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans.

A. The Company has Administrative Services Only (ASO) operations in the West Tennessee Grand Region and in the Middle Tennessee Grand Region. In 2008, the ASO's operations were as followed:

		ASO Uninsured Plan	Uninsured Portion of Partially Insured Plan	Total ASO
a.	Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of Actual Expenses	$ 3,559,191	$ 0	$ 3,559,191
b.	Total Net Other Income or Expenses (Including Interest paid or received from plan	$ (220)	$ 0	$ (220)
c.	Net Gain or Loss from Operations	$ 3,558,971	$ 0	$ 3,558,971
d.	Total Claim Payment Volume	$326,725,951	$ 0	$326,725,951

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.

None

20. Other Items

None

21. Events Subsequent

None